MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023

DMG5024 – MANAGEMENT ACCOUNTING 2

(All sections/Groups)

24 NOVEMBER 2022
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

PART A

Blossom Company produces and sells 60,000 bottles of natural hair shampoo in a year and operates at 80% plant capacity. Information for a bottle of its hair shampoo is as below:

Sales price		RM90
Variable manufacturing cost	RM50	
Fixed manufacturing costs (RM816,000/50,000)	RM16.32	
Profit per bottle		RM23.68

The company receives a proposal from an Indonesian company to buy 4,500 bottles of hair shampoo at a price of RM80 per bottle. This is a one-time order, and acceptance of this proposal will not affect the company's regular sales. The president of Blossom Company is worried since the selling price is lower than the current market selling price the company sells at the local market.

Required

1) Prepare a schedule reflecting an incremental analysis of this proposal.
(4.5 marks)

2) Indicate the effect that the acceptance of this order might have on the company's net income.
(3 marks)

PART B

Fly High Corporation produces wood pulps, which it sells to paper mills. In 2021, the company incurred RM129,000 in costs to produce 15,000 kilograms of wood pulp. The selling price of the wood pulp is RM12 per kilogram. The costs to manufacture 15,000 kilograms of wood pulp are presented below:

Direct materials	RM73,500
Direct labour	RM25,500
Variable manufacturing overhead	RM19,500
Fixed manufacturing overhead	RM10,500
Total manufacturing costs	RM129,000

The company is considering manufacturing the papers on its own . If Fly High Corporation processes the wood pulp further and manufactures the papers on its own, the following additional costs per kilogram will be incurred: direct materials RM1.50, direct labour

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RM0.60, and variable manufacturing RM0.50. No increase in fixed manufacturing overhead is expected. The company can sell the papers at RM15 per kilogram.

Required

Determine whether the company should sell wood pulp or process further the wood pulp into paper. Show your table of analysis to prove your answer.

(12.5 marks)

(Total: 20 marks)

QUESTION 2

PART A

Aktiv Wear Company specialises in aquatic and tropical beach attire. The R&D department came out with an idea to penetrate the Muslim market by producing a perfect outfit for any Muslimah who wishes to be in the pool while maintaining their modesty. This swimwear is unique and based on market research conducted, they will be able to sell 1,250 suits of Muslimah swimwear if the selling price is RM250 per suit. To produce this swimwear, the company will need to invest in a new machine amounting to RM250,000. The management is excited with the idea and stated that they want a minimum rate of return of 25% for the swimwear.

Required

1) Compute the desired profit per suit of swimwear.

(3 marks)

2) Compute the target cost per suit of the new Muslimah swimwear.

(3 marks)

PART B

Sunflower Hotel provides various hotel rooms for different customer budgets with idyllic views, refined luxury living and world-class amenities and facilities. Their main attraction is the steam room and personal massage facilities, which are available for presidential and imperial suites villas. The management desires an RM500 profit per hour of labour and a profit margin of 45% on product charges. For 2023, Sunflower Hotel budgeted 68,000 hours of labour time and an estimated material bill of RM9,000,000 for the steam room and personal massage facilities. The budgeted costs data for the year is stated below:

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	Time Charges (RM)	Material Charges (RM)
Employee's wages and benefit	4,522,000	5,490,000
Manager's salary and benefits	2,312,000	2,790,000
Administrative salary and benefits	170,000	342,000
Other overhead utilities	54,400	270,000

Required

1) Compute the rate charged per hour of labour.

(7.5 marks)

2) Compute the percentage of the material charges.

(3.5 marks)

3) Sunflower Hotel received a special request for a VIP spa party. The accountant estimates that the steam and personal massage spa party will require 48 labour hours and RM2,000 material charges. Prepare a price quotation for the VIP spa party.

(3 marks)

(Total: 20 marks)

QUESTION 3

PART A

Trio Company is a travel company. It has two divisions, the Ticketing Division and Customer Service Division. The following data applies to the coming budget in 2023:

Budgeted costs of operating the office for 12,000 to 23,000 hours	
Fixed operating cost per year	RM437,000
Variable operating costs	RM15 per hour
Practical capacity	23,000 hours
Budgeted long run usage per year	
Ticketing Division	9,792 hours
Customer Service Division	12,000 hours

Assume that practical capacity is used to calculate the allocation rates. Further, assume that actual usage in September 2023 for the Ticketing Division was 880 hours and 1,200 for the Customer Service Division.

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Required

If the dual rate cost allocation method is used, what amount of cost will be budgeted for Ticketing Division each month?

(2.5 marks)

PART B

Timely Time Company manufactures watches and uses an activity-based costing system. The company activities and related data are as follows:

Activity	Budgeted overhead cost of an activity	Allocation Base
Materials handling	RM35,400	Number of parts
Assembly	RM3,496,800	Direct labour hours
Finishing	RM165,360	Number of finished units

In October 2021, Timely Time Company produced two types of watches: a smartwatch and an analogue watch, to cater different needs of their customers. The total quantities, direct material costs, and other data follow:

	Total units produced	Total direct material costs	Total number of parts	Total Assembling Direct Labour Hour
Analogue watch	2,500	RM36,800	85,000	3,500
Smart watch	2,800	RM40,000	92,000	2,700

Required

1) Compute the cost allocation rate for each activity.

(4.5 marks)

2) Using the activity-based cost allocation rates, compute the manufacturing overhead costs for both products.

(7 marks)

3) Compute the manufacturing cost per unit of each type of watch.

(6 marks)

(Total: 20 marks)

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QUESTION 4

The Green Company processes cotton textile up to split off point where two products, t-shirts, and shirts are produced. The following information was collected for the month of October 2022:

Direct material processed:	110,110 kilograms of cotton textile	
Production:	Round neck T-shirt	55,000 units
	Collar T-shirt	58,000 units
Sales:	Round neck T-shirt	RM12 per unit
	Collar T-shirt	RM12 per unit

The costs of purchasing the cotton textile and processing it up to the split off point to yield a total of 110,110 kilograms of saleable product was RM198,890. There were no inventory balances for either product. Round neck T-shirt may be processed further to yield 48,000 cartoon designed round neck T-shirt for an additional processing costs of RM5 per unit. The company managed to sell 45,000 units of cartoon designed round neck T-shirt for RM25 per unit.

Collar T-shirt can be processed further to yield 50,000 corporate collar T-shirt , for an additional processing costs of RM7 per unit. The company managed to sell 49,500 corporate collar T-shirt for RM35 per unit.

Required

Calculate The Green Company's gross margin percentage for both products when joint costs are allocated using Net Realizable Value method. (Round your joint cost allocated to the nearest cent).

(20 marks)

QUESTION 5

PART A

Berjaya Company sells sugar candy at RM12 each. Its sales budget for the nine months ended September 2023 is as follows:

	Jan-March	April-June	July-September	Nine Month
Total sales	RM120,000	RM156,000	RM192,000	RM468,000

Direct materials	10 kgs of sugar at RM2 per kg
Direct labour	0.5 hours per sugar candy at RM7 per hour
Variable manufacturing overhead	RM1.50 per direct labour hour
Fixed manufacturing overhead	RM4,500 per month

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Var. selling and admin	RM2 per sugar candy
Fixed manufacturing overhead	RM15,000 per month

The director of marketing and the financial vice president agreed that each quarter's ending inventory should not be below 10% of sales for the next quarter. The marketing director expects sales of RM240,000 during the fourth quarter.

Required

Prepare a production budget for each of the first three quarters and in total, for the year 2023 for Berjaya Company.

(12.5 marks)

PART B

Smart Circle Company manufactures mugs. During September 2022, the company produced and sold 150,000 mugs and recorded the following cost data:

Standard cost information		
	Quantity	Price
Direct materials	2 units	RM0.15
Direct labour	0.04 hours	RM9.80
Manufacturing overhead	0.04 hours	RM9.90

Actual information
Direct material (250,000 units @ RM0.30 each)
Direct labour (7,850 hours @ RM9.50 each)
Manufacturing overhead RM67,800

Required

Compute the total variance for the followings:

1) Material

(2.5 marks)

2) Labour

(2.5 marks)

3) Overhead

(2.5 marks)

(Total: 20 marks)

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